



North Dakota Office of State Tax Commissioner

# 2007 Individual Income Tax

Cory Fong, Tax Commissioner

**Are you using  
the right  
form?**

*If not, you may be  
paying too much tax!*

*See page 2  
for more  
information.*

**Do you owe  
Use tax?**

*Did you purchase  
goods in another  
state? If you did,  
you may have to pay  
a use tax.*

*See inside front  
cover for more  
information.*

Dear Taxpayer,

Did you know that your choice of forms will affect the amount of tax you have to pay? It is important that you use the form that is to your advantage. The vast majority of North Dakota's individual taxpayers have discovered that they have a lower tax when they use Form ND-1. If you are unsure which form is best for your particular situation, turn to page 2 and read **Which form to use**.

Last year, nearly 60 percent of the state individual income tax returns were filed electronically. Taxpayers have found e-file offers several benefits compared to filing a paper return. For instance, taxpayers who are anticipating a refund receive their refunds more quickly. And, e-file is more accurate than a paper return. This is because the computer automatically checks e-filed returns for errors, resulting in fewer delays and faster processing, which is particularly helpful if you file during the last-minute filing rush.

If you have not tried e-file, I urge you to consider it for this year. You will find the process to be simple and quick to use. It's important for you to know that if you would like to e-file, you will need to use the Form ND-1.

After you e-file and if you are expecting a refund, you can check its status on our web site under "Where's My Refund?" You can learn if your return was received, if your return is being processed, or the date your refund was issued.

To learn more about e-file, to track your refund, or for other tax-related information, please visit our web site at [www.nd.gov/tax](http://www.nd.gov/tax).

Please let us know what you think we are doing well and what we can do to improve our service to you. Our phone, address, and e-mail information is found on the back of this booklet.

Thank you,

Cory Fong,  
Tax Commissioner

## Form ND-2



See page 15 for details  
on using your credit card  
to pay your taxes.

Visit our web site for forms or to  
learn about North Dakota's taxes:  
[www.nd.gov/tax](http://www.nd.gov/tax).

**ndTax**

## This booklet contains the following forms—

● Form ND-2

● Schedule 2

● Schedule 3

● Schedule PT

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### Taxpayer Bill of Rights

You may get a copy of the North Dakota Taxpayer Bill of Rights by contacting the Office of State Tax Commissioner or visiting our web site at **[www.nd.gov/tax](http://www.nd.gov/tax)**

If you need a form or document mentioned in this booklet, you may obtain it from our web site at **[www.nd.gov/tax](http://www.nd.gov/tax)**, or request it by phone, e-mail, fax, or letter—see the back cover of this booklet for phone numbers and addresses.

### *You might be eligible for a refund of local sales tax!*

Beginning October 1, 2005, most city and county local tax ordinances contain a local sales tax maximum. If a customer exceeds that maximum, they may apply to the state Tax Department for a refund of the amount of local tax paid that exceeds that maximum. The local sales tax maximum varies between local taxing jurisdictions and ranges from \$25 to \$50. For example, you purchase \$4,000 of furniture in a city that has a one percent sales tax and allows for a \$25 local tax maximum. The retailer will collect \$200 in state sales tax and \$40 in local tax at the time of purchase. You may then apply to the Tax Commissioner for a refund of \$15 (\$40 local tax paid - \$25 local tax maximum). You can access the form, **Claim For Refund of City or County Sales and Use Tax Transmittal**, on our web site at **[www.nd.gov/tax](http://www.nd.gov/tax)** or by calling (701) 328-3470 or e-mailing [salestax@state.nd.us](mailto:salestax@state.nd.us).

### *Do you owe use tax?*

If you purchased goods from outside North Dakota or outside the U.S., you might owe state and local sales tax. Technically, what you have to pay is called a use tax. It applies to the same goods that are subject to North Dakota's sales tax. The use tax applies whether you purchased goods in person at an out-of-state location, by mail, phone, or the Internet.

If you didn't pay any sales tax or you paid tax to another country at the time of purchase, you must pay the use tax at the North Dakota sales tax rate. If you did pay sales tax to another state but you paid less than what you would have paid in North Dakota, the difference between the rates is the amount of use tax you owe.

If this applies to you, you must file a **North Dakota Use Tax Return**. You can access the form on our web site at **[www.nd.gov/tax](http://www.nd.gov/tax)** or call the Sales and Withholding Taxes Division at **(701) 328-3470**.

**Privacy Act information.** In compliance with the Federal Privacy Act of 1974 (Public Law 93-579), the disclosure of an individual's social security number on the North Dakota income tax return and any required schedules is mandatory and is required under subsections 1 and 7 of North Dakota Century Code § 57-38-31. An individual's social security number is used as an identification number by the North Dakota Office of State Tax Commissioner for file control and recordkeeping purposes, and for cross-checking an individual's files with those of the Internal Revenue Service.

# Changes affecting you and your income tax

Developments, updates, and items of interest relating to individual income tax

## Property tax relief

### New income tax credits are allowed based on property taxes paid

#### Residential/agricultural property credit

A new income tax credit is available for 2007 if your primary residence, whether owned or leased, is located in North Dakota. The credit is equal to 10% of the 2006 real estate tax or 2007 mobile home tax that you paid on residential and agricultural property located in North Dakota. The maximum credit allowed is \$500 (\$1,000, if married filing jointly). If the credit exceeds your 2007 income tax liability, you may make a one-time election to either (1) carry forward and use the unused credit on your 2008 return or (2) request a property tax relief certificate in the amount of the unused credit that you may redeem at your county treasurer's office. To claim the credit, you must complete Section 1 of the 2007 Schedule PT (enclosed in this booklet).

#### Commercial property credit

A new income tax credit is available for 2007 if you own commercial property located in North Dakota or you are an owner in a partnership or other passthrough entity that holds North Dakota commercial property. The credit is equal to 10% of the 2006 real estate tax or 2007 mobile home tax that you paid on property you own plus 10% of your share of the same taxes paid by a passthrough entity. The maximum credit allowed is \$500 (\$1,000, if married filing jointly). If the credit exceeds your 2007 income tax liability, you may carry forward and use the unused credit on your 2008 return. *(Note: There is no option to receive a property tax relief certificate for an unused commercial property tax credit.)* To claim the credit, you must complete Section 2 of the 2007 Schedule PT (enclosed in this booklet).

#### Property tax relief is also available to those not required to file a return

If you qualify for the residential and agricultural property tax income tax

credit, but you do not have a requirement to file a 2007 North Dakota income tax return, you are still eligible for property tax relief. In lieu of the credit, you may obtain a property tax relief certificate for the amount of the allowable credit, which you then redeem at your county treasurer's office. A special new form, called Form ND-3, must be completed and filed to obtain the certificate. To obtain this form, see the back cover of this booklet

#### New deduction is allowed for contributing to College SAVE

A new income tax deduction is available for making a contribution to College SAVE, an Internal Revenue Code Section 529 higher education savings account administered by the Bank of North Dakota. The deduction is equal to the total amount of contributions made to one or more College SAVE accounts during the tax year. The maximum deduction allowed in a tax year is \$5,000 (\$10,000, if married filing jointly). Rolling over funds from another Section 529 plan into a Bank of North Dakota College SAVE account is not eligible for the deduction.

#### Native American income exemption is broadened

If you are a Native American, a change in North Dakota tax law broadens the income exemption already provided by federal law. The change means that a Native American is not subject to North Dakota income tax and does not have to file a North Dakota income tax return if the individual (1) is an enrolled member of a federally-recognized Indian tribe, (2) lives on *any* Indian reservation in North Dakota, and (3) derives all of his or her income from sources on *any* Indian reservation in North Dakota.

#### New income tax credits are created for businesses

The following four new income tax credits were created to promote new investment and new job creation in North Dakota.

#### Employer internship program credit.

This credit is allowed for hiring an eligible college student under a qualifying internship program in North Dakota. The credit is 10% of the compensation paid to the eligible student. See N.D.C.C. § 57-38-01.24 for details.

#### Employer workforce recruitment credit.

This credit is allowed for using extraordinary recruitment methods to fill positions in your business. The credit is 5% of the compensation paid to the new employee during the first 12 months of employment. *(Note: This credit is first allowed on the 2008 income tax return.)* See N.D.C.C. § 57-38-01.25 for details.

**Microbusiness credit.** This credit is allowed if your business is certified as a microbusiness by the ND Commerce Department. The credit is 20% of the cost of new investment in property and new employment. See N.D.C.C. § 57-38-01.27 for details.

**Research expense credit.** This credit is allowed for conducting qualified research in North Dakota. The credit is 25% of the first \$100,000 of qualified expenses. On qualified expenses over \$100,000, an additional credit is allowed at a rate that will depend on when qualified research is first conducted in North Dakota. See N.D.C.C. § 57-38-30.5 for details.

#### Family member care credit is changed

The family member care tax credit was changed as follows: (1) It is no longer necessary to obtain a disability determination letter from the Social Security Administration. It is sufficient that the qualifying family member meets SSA's definition of a disability; (2) "Other" expenses is now defined as medical expenses deductible under federal income tax law; and, (3) If multiple family members care for the same qualifying family member, each family member who pays qualified expenses is allowed to claim up to the maximum credit of \$2,000 (or \$4,000, if caring for two or more qualifying family members). For details, see Schedule FC.

# 2007 Form ND-2 instructions

General and specific line instructions for Form ND-2 (Optional Method)



*Are you sure Form ND-2 is the right form to use?  
If not, you may pay too much tax!*

See **Which form to use** on this page before using Form ND-2.

## General instructions

This section provides information on selecting the right form, filing requirements, procedures for obtaining an extension, estimated tax requirements, correcting a return, and other general information.

### Which form to use

It is important to note that North Dakota income tax law provides for two methods of calculating the individual income tax. The two methods are implemented on two different forms—Form ND-1 and Form ND-2. (This booklet contains Form ND-2 and its instructions.)

#### ***Your choice of forms will affect the amount of your tax!***

The two forms (and their respective calculation methods) are governed by different provisions of North Dakota income tax law. Because the calculation method and tax rates are different under each method, you will calculate a different tax under each one. For the majority of individuals, the tax will be lowest on Form ND-1.

#### ***So, which form should I use?***

Generally, you should use Form ND-1. Over 97 percent of all filers will calculate a lower tax on Form ND-1 than on Form ND-2. If you used Form ND-2 last year, do not automatically use Form ND-2 for this year, but check out Form ND-1 to make sure you are paying the lowest tax.

#### ***Who should use Form ND-2?***

Very few individuals will benefit from using Form ND-2. Form ND-2 should be used only if it produces a tax that is lower than the tax calculated on Form ND-1.

Although you calculate a North Dakota taxable income on both forms, do not base your choice on this number alone. You must also consider the tax rates which are much lower on Form ND-1.

#### ***Shouldn't I use Form ND-2 if I have one of the deductions or credits on it?***

Not necessarily. There are a number of special deductions, exclusions, and credits that may be claimed only if Form ND-2 is used. As a general rule, they are usually not enough to offset the higher tax rates on Form ND-2. Some taxpayers will benefit from using Form ND-2, but we estimate that they make up less than 3 percent of all individual filers. If in doubt as to which form to use, use Form ND-1. If you find later that your tax would have been lower on Form ND-2, you have the option of filing an amended return (within the statutorily prescribed time periods) to change forms.



### *Filing Tip:*

*Have you checked out Form ND-1? Over 98 percent of taxpayers will have the lowest tax on the Form ND-1.*

### Who must file

#### **NEW for 2007!**

#### **Property tax relief**

Even though you do not have to file a 2007 North Dakota income tax return, you may be eligible for property tax relief. Obtain Form ND-3 for more information.

### Full-year resident

If you were a full-year resident of North Dakota for the 2007 tax year and you are required to file a 2007 federal individual income tax return, you must file a 2007 North Dakota individual income tax return. This applies even though you may have worked outside North Dakota (including employment overseas) during the tax year, or part of your income is derived from sources outside North Dakota. You were a full-year resident of North Dakota if you were a resident of North Dakota for the entire tax year, or you meet the statutory 7-month rule.

**Definition of resident**—In these instructions, the term “resident” refers to an individual who is a legal resident of North Dakota. Legal residence (which is also called domicile) means the place that is your permanent home to which you always intend to return whenever absent from it. If you have more than one physical place of abode, only one of them may be your legal residence. Legal residence is based on your intent and your actions.

**Statutory 7-month rule**—Even though you were not a resident of North Dakota for any part of the tax year—that is, you were a full-year nonresident—you must file as a full-year resident of North Dakota if you maintained a permanent place of abode in North Dakota and spent in the aggregate more than 210 days of the tax year in North Dakota. A permanent place of abode means a house, apartment, or other dwelling containing cooking and bathroom facilities that is suitable for year-round living and is



maintained on a permanent or indefinite basis. This 7-month rule does not apply if you were (1) a part-year resident of North Dakota, (2) a full-year nonresident serving in the U.S. armed forces, or (3) a full-year resident of Montana or Minnesota covered by reciprocity.

### **Residents in U.S. armed forces**

If you are a resident of North Dakota serving in the U.S. armed forces and you are required to file a 2007 federal individual income tax return, you must file a 2007 North Dakota individual income tax return as a full-year resident. This applies regardless of where you were stationed during the tax year.

### **Full-year nonresident**

If you were a full-year nonresident of North Dakota for the 2007 tax year, you must file a 2007 North Dakota individual income tax return if **both** of the following apply:

- You are required to file a 2007 federal individual income tax return.
- You derived gross income from North Dakota sources during the 2007 tax year. (*See the box on this page for what is included in gross income from North Dakota sources while a nonresident.*)

You were a full-year nonresident if you were not a resident of North Dakota for any part of the tax year, and you do not meet the statutory 7-month rule—see page 2.

### **Nonresidents in U.S. armed forces**

If you are a full-year nonresident of North Dakota serving in the U.S. armed forces and your only gross income from North Dakota sources is your military compensation, you are not subject to North Dakota income tax. You do not have to file a North Dakota income tax return unless you are married and are filing a joint federal income tax return, and either you or your spouse has other types of gross income from North Dakota sources.

### **Minnesota or Montana resident**

If you are a Minnesota resident, you do not have to file a North Dakota individual income tax return if **both** of the following apply:

- Your only gross income from North Dakota sources was compensation for personal or professional services.
- You returned to your home in Minnesota at least once each month during the time you worked in North Dakota.

If you are a Montana resident, you do not have to file a North Dakota individual income tax return if your only gross income from North Dakota sources was wages.

See **Reciprocity** on page 4 for more information.

### **Nonresident alien**

If you are a nonresident alien of the United States and you received gross income from North Dakota sources during 2007, you must file a 2007 North Dakota individual income tax return. Except where an income tax treaty between the United States and a foreign country specifically exempts income

from taxation by a U.S. state, income tax treaties between the U.S. and foreign countries do not apply for North Dakota income tax purposes. Therefore, you may have to pay North Dakota income tax on income derived from North Dakota sources even though the income is exempt from U.S. income tax because of a treaty. For more information, including the instructions on how to complete the North Dakota return, obtain the *Income Tax Guideline: Taxation of Nonresident Aliens*.

### **Part-year resident**

If you were a part-year resident of North Dakota for the 2007 tax year, you must file a 2007 North Dakota individual income tax return if **both** of the following apply:

- You are required to file a 2007 federal individual income tax return.
- During the 2007 tax year, you derived gross income from **any** source inside or outside North Dakota while you were a resident of North Dakota, or you derived gross income from North Dakota sources while you were a nonresident of North Dakota. (*See the box on this page for what is included in gross income from North Dakota sources while a nonresident.*)

## **Gross income from North Dakota sources (for nonresidents only)**

Gross income from North Dakota sources includes the following items received while a nonresident of North Dakota:

- Compensation for services performed in North Dakota, such as wages, salaries, tips, commissions, and fees.
- Income from tangible property in North Dakota, such as rents, royalties, and gain from the sale or exchange of the property.
- Income from a sole proprietorship, partnership, S corporation, or other trade or business carried on in North Dakota.
- Income from an estate or trust, but only to the extent the income is derived from tangible property or a trade or business in North Dakota.
- Income from gambling activity carried on in North Dakota.

### **Exceptions**

Gross income from North Dakota sources **does not** include these items received while a nonresident of North Dakota: military pay, interest, dividends, pensions, annuities, gain from the sale or exchange of intangible property, compensation exempted under reciprocity with Minnesota or Montana, or compensation for services performed in North Dakota by an individual who performs regularly assigned duties in more than one state for an interstate motor, rail, air, or water carrier company as provided under federal interstate commerce law.

**Note:** *Interest, dividends, gains, and other income from intangible property are included in gross income from North Dakota sources if derived from a sole proprietorship, partnership, or S corporation doing business in North Dakota.*

You were a part-year resident of North Dakota if you were a resident of North Dakota for only part of the year. This generally applies if you moved into or out of North Dakota and the move constituted a change in your legal residence. See **Definition of resident** on page 2.

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### Changed for 2007! Native Americans

If you are a Native American, you are not subject to North Dakota income tax and do not have to file a North Dakota income tax return if **all** of the following apply:

- You are enrolled as a member of a federally-recognized Indian tribe.
- You live on **any** Indian reservation in North Dakota.
- You derive all of your income from sources on **any** Indian reservation in North Dakota.

If any of the above criteria are not met, you may be subject to North Dakota income tax. For more information, obtain the *Income Tax Guideline: Income Taxation of Native Americans*.

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### Reciprocity

North Dakota has income tax reciprocity agreements with the states of Minnesota and Montana. If certain conditions in the agreements are met, a resident of North Dakota does not have to pay Minnesota or Montana income tax on compensation received for work performed in the other state, and a resident of Minnesota or Montana does not have to pay North Dakota income tax on compensation received for work performed in North Dakota.

#### **Minnesota and Montana residents**

If you are a resident of Minnesota and you maintain a permanent home in Minnesota to which you return at least once each month during the time you work in North Dakota, the compensation you receive for personal or professional services performed in North Dakota is not taxable by North Dakota.

If you are a resident of Montana, wages you receive for work performed in North Dakota are not taxable by North Dakota.

If you received wages covered by reciprocity, and your employer withheld North Dakota income tax from them, you must file a North Dakota individual income tax return at the end of the tax year to obtain a refund of the amount withheld. If this applies to you and you do not have any other gross income from North Dakota sources, obtain Form ND-1 and complete it according to the special instructions on page 6 of the Form ND-1 instruction booklet. Do not use Form ND-2.

If your wages are covered by reciprocity and you do not want your employer to withhold North Dakota income tax from them, you must complete and give to your employer a **Form NDW-R**. Ask your employer for this form.

#### **North Dakota residents**

If you are a resident of North Dakota and you maintain a permanent home in North Dakota to which you return at least once each month during the time you work in Minnesota, the compensation that you receive for personal or professional services performed in Minnesota is not taxable by Minnesota. Also, wages you receive for work performed in Montana while a resident of North Dakota are not taxable by Montana.

If you received wages covered by reciprocity and your employer withheld Minnesota or Montana income tax from them, you must file an income tax return with Minnesota or Montana to obtain a refund of the amount withheld.

If your wages are covered by reciprocity and you do not want your employer to withhold Minnesota or Montana tax from them, you must give your employer a properly completed Minnesota Form MW-R or Montana Form NR-2, whichever applies. For assistance and forms, contact:

- Minnesota Department of Revenue  
Mail Station 5510  
St. Paul, MN 55146-5510  
Phone: (651) 296-3781  
[www.taxes.state.mn.us](http://www.taxes.state.mn.us)
- Montana Department of Revenue  
PO Box 5805  
Helena, MT 59604-5805  
Phone: (406) 444-6900  
[www.state.mt.us/revenue](http://www.state.mt.us/revenue)

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### When and where to file

If you are filing on a calendar year basis, you must file your 2007 North Dakota individual income tax return on or before April 15, 2008. If you are filing on a fiscal year basis, you must file on or before the 15th day of the fourth month following the close of your fiscal tax year. If the due date falls on a Saturday, Sunday or holiday, you have until the next day that is not a Saturday, Sunday, or holiday to file your return.

Mail your return in the preaddressed envelope provided in this booklet. If you don't have a preaddressed envelope, mail it to:

Office of State Tax Commissioner  
600 E. Boulevard Ave., Dept. 127  
Bismarck, North Dakota 58505-0550

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### Extension of time to file

You may obtain an extension of time to file your North Dakota individual income tax return by obtaining either a federal extension or a North Dakota extension.

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#### **Federal extension**

If you obtain an extension of time to file your federal return, it will be recognized for North Dakota purposes. This includes the automatic extension allowed for being outside the U.S. and Puerto Rico on April 15. You do not have to file a separate state extension form, nor do you have to notify the Office of State Tax Commissioner that you have obtained a federal extension prior to filing your North Dakota return.

Fill in the circle next to “Extension” at the top of Form ND-2 to indicate that an extension has been obtained.

### North Dakota extension

If you do not obtain a federal extension, but need additional time to file your North Dakota return, you may apply for a North Dakota extension by completing and filing **Form 101**. This is not an automatic extension—you must have good cause to request a North Dakota extension. Form 101 must be postmarked on or before the due date of your return. You will be notified whether your extension request is approved or rejected. If approved, fill in the circle next to “Extension” at the top of Form ND-2.

### Extension interest

If you file your North Dakota return on or before the extended due date, and you pay any tax balance due with the return, no penalty will be charged. However, interest on any tax due on the return will be charged at the rate of 12% per year from the original due date of your return to the earlier of the date you file your return or the extended due date.

### Prepayment of tax due

If you are applying for an extension of time to file, you may prepay the tax that you expect to owe to avoid paying extension interest. To do so, submit your check or money order along with a completed **2007 Form 400-EXT** on or before the due date of your return (excluding extensions). Alternatively, you may submit your payment along with a letter containing the following:

- Your name.
- Your social security number.
- Your address and phone number.
- Statement that your payment is a prepayment of your 2007 North Dakota individual income tax.

### Penalty and interest

The full amount of your tax due must be paid by the due date (without extension) of your return to avoid penalty and

interest charges. However, if you obtained an extension of time to file your return, you may pay the tax due by the extended due date of the return without penalty, but interest will apply—see **Extension interest** and **Prepayment of tax due** on this page.

If you file your return on or before its due date (or extended due date), but you pay your tax due after the due date (or extended due date), a penalty equal to 5% of the tax due or \$5.00, whichever is greater, must be paid.

If you do not file your return on or before its due date (or extended due date), a penalty equal to 5% of the tax due or \$5.00, whichever is greater, for the month the return was due *plus* 5% of the tax due for each additional month (or fraction of a month) during which the return remains delinquent, not to exceed 25% of the tax due, must be paid.

In addition to any penalty, interest must be paid at the rate of 1% per month (or fraction of a month), except for the month in which the tax was due, on any tax due that remains unpaid after the due date (or extended due date) of the return.

### Copy of federal return

You must attach a complete copy of your federal income tax return to your North Dakota return. A complete copy consists of Form 1040EZ, 1040A, or 1040 along with any supplemental forms and schedules. You do not have to include depreciation schedules or any other statements that you may have prepared as supporting documentation.

### Correcting your return

If you need to correct your North Dakota return after you file it, you must file an amended return. There is no special form for this purpose. See **How to prepare an amended return** later on this page.

If you paid too much tax because of an error in your return, you generally have three years after you file your original return to file an amended return to correct the error and claim a refund of the overpayment. There are other time periods that may apply, such as in the case of a net operating loss carryback, an overstatement of tax of over 25%, or an IRS audit. For more information, contact the Office of State Tax Commissioner.

Penalty and interest apply to additional tax due on an amended return that is paid after the due date (or extended due date) of the original return.

### Change to federal return

By law, you must file an amended North Dakota return to report changes made to your federal return. This applies if the changes are attributable to your filing of an amended federal return or to an audit or correction by the IRS. The amended North Dakota return must be filed within 90 days after filing the amended federal return or within 90 days after the final determination of the IRS changes.

### Changed for 2007!

#### How to prepare an amended return

1. Obtain a blank North Dakota individual income tax return for the tax year affected by the changes.
2. Enter your name, address, social security number, and other information required in the top portion of the return. Be sure to use your current address on the amended return.
3. Fill in the circle next to “Amended” in the top right-hand corner of the return.
4. Using the corrected information, complete the return through the net tax liability line.
5. Leave the line for income tax withholding blank unless you are claiming an additional amount not previously claimed.
6. On the “Total payments” line (line 10), enter the net tax liability shown on your original return or previously filed amended return.



7. Complete the remaining portion of the return according to the instructions. On an amended return, you may not adjust the amount of any voluntary contribution to the wildlife or trees funds, nor the amount of an overpayment applied to the next year's estimated tax.
8. Attach a statement explaining why you are correcting your return. If you are doing so because of changes you or the IRS made to your federal return, attach a copy of the amended federal return or IRS notice.

## Estimated tax requirement (for 2008)

You must pay estimated North Dakota income tax for the 2008 tax year if *all* of the following conditions apply:

1. You are required to pay estimated federal income tax for 2008.
2. Your net tax liability for 2007 is \$500 or more. (*If you are not required to file a North Dakota return for 2007, you do not have to pay estimated tax for 2008.*)
3. You expect to owe (*after subtracting any estimated North Dakota income tax withholding*) at least \$500 in tax for 2008.
4. You expect your North Dakota income tax withholding for 2008 to be less than the smaller of the following:
  - (a) 90% of your 2008 net tax liability.
  - (b) 100% of your 2007 net tax liability. If you moved into North Dakota during 2007 and had no income from North Dakota prior to the move, this 100% threshold does not apply; you must satisfy the 90% threshold in part (a).

In general, one-fourth (25%) of the total estimated tax required to be paid for the 2008 tax year must be paid by April 15, June 15, and September 15, 2008, and January 15, 2009.

If you are required to pay estimated tax for 2008, obtain the **2008 Form 400-ES, Estimated income tax—individuals**. If

you paid estimated tax for 2007, a 2008 Form 400-ES will be mailed to you in early 2008.

## How to file a return for a deceased taxpayer

If a final federal income tax return is required to be filed for a decedent for the year of death, a final North Dakota income tax return must also be filed. A court-appointed personal representative is responsible for filing the decedent's final return, even if there is a surviving spouse. The information from the final federal return is used to complete the final North Dakota return, and the North Dakota return is to be signed in the same manner as required for federal income tax purposes.

If there is a personal representative and no surviving spouse, a copy of the court document showing the appointment must be attached to the final return. If there is a surviving spouse and the final return will be filed on a joint basis, a refund will be mailed in both spouses' names.

If the surviving spouse experiences any problem with depositing or cashing the check, or if there is no surviving spouse and no personal representative has been appointed for the decedent, contact the Individual Income Tax Section, Office of State Tax Commissioner for assistance (see the back cover of this booklet).

## General instructions for completing Form ND-2

### Rounding of numbers

You may enter your numbers on the return in dollars and cents, or you may round your numbers to the nearest whole dollar. If you choose to round your numbers, drop the cents if less than 50 cents and round up to the next whole dollar amount if 50 cents or higher. For example, \$25.36 becomes \$25.00, and \$25.50 becomes \$26.00.

## Part-year resident or full-year nonresident of North Dakota

If you were a nonresident of North Dakota for part or all of the tax year, you must complete and attach Schedule 3 to Form ND-2. On Schedule 3, you will indicate whether you are a **full-year nonresident** or a **part-year resident** at the top of the schedule.

If you are married and filing a joint return, and either you or your spouse was a nonresident of North Dakota for part or all of the tax year, you must complete Schedule 3 on a joint basis and attach it to Form ND-2. On Schedule 3, each of you must indicate your residency status at the top of the schedule.

## How to complete Form ND-2

### Step 1

Complete the top portion of Form ND-2 as instructed on page 7.

### Step 2

Calculate your North Dakota taxable income on the appropriate schedule as follows:

- If you were a full-year resident, you must complete Schedule 2 according to the instructions on page 7. This also applies if you are filing a joint return and both you and your spouse were full-year residents. Schedule 2 is on the reverse side of Form ND-2.
- If you were a full-year nonresident or a part-year resident, you must complete Schedule 3 according to the instructions on page 10. This also applies if you are filing a joint return and either you or your spouse was a nonresident for part or all of the tax year. Schedule 3 is a separate form included in this booklet.

### Step 3

Complete the Tax Computation Schedule on the front of Form ND-2 according to the instructions on page 13.



## Instructions for completing the top portion of Form ND-2

### Changed for 2007!

#### Name and address

Print or type your full name and address in the spaces provided on the return. If you are married and filing a joint return, include your spouse's full name.

If a taxpayer died during the 2007 tax year, fill in the circle for "Deceased" next to the taxpayer's name.

#### Social security number(s)

Print or type your social security number (and your spouse's social security number, if married) in the spaces provided on the return.

#### Filing status

Fill in the circle next to the filing status that you used on your federal individual income tax return.

#### School district code

Select the code number from the list on page 18 for the school district in which you resided during the tax year and enter it in the boxes provided on the return.

#### Income source code

Select the code number corresponding to the area from which you derived the majority of your income for the tax year.

Source of income	Code number
Farming, ranching, or agricultural production .....	1
Retail, wholesale trade, and eating and drinking places .....	2
Federal, state, county, or city government service .....	3
Public or private education .....	4
Accounting, legal, health, motel, and other personal or professional services not classified elsewhere .....	5
Construction .....	6
Manufacturing .....	7
Transportation, communication, and public utilities .....	8

Exploration, development, and extraction of coal, oil, and natural gas .....	9
Banking, insurance, real estate, and other financial services .....	10
Military service .....	11
Retirement (Pensions, annuities, IRAs, etc.) .....	12

#### Fiscal year filer only

If you used a fiscal tax year for federal income tax purposes, enter in the boxes the ending date of your fiscal tax year as shown on your federal return.

#### Federal estimated tax requirement

If you were required to pay estimated federal income tax for any part of the 2007 tax year, you must check the box next to "Yes." This applies whether or not you actually made the required payment. Otherwise, fill in the circle next to "No."

#### Amended or extended return

Fill in the circle next to "Amended" **only if** you are completing this return for the purpose of correcting a return you previously filed for the 2007 tax year. See **Correcting your return** on page 5 for more information.

Fill in the circle next to "Extension" **only if** you have an extension to file your North Dakota return. See **Extension of time to file** on page 4 for more information.

## Specific line instructions for Schedule 2

### Full-year resident only

If you were a full-year resident of North Dakota for the 2007 tax year, you must complete this schedule to calculate your North Dakota taxable income for purposes of Form ND-2. This also applies if you are filing a joint return and both you and your spouse were full-year residents.

#### Line 1 - Federal taxable income

If your federal taxable income is a negative number (that is, it is less than zero mathematically), you are instructed to enter zero on your federal income tax return. However, for purposes of completing Schedule 2, enter the negative number on line 1.

#### Line 2 - Interest from state and local obligations

Except for interest from obligations of the state of North Dakota and its political subdivisions, enter interest income from state and local government obligations which is exempt from federal income tax.

#### Line 3 - State and local income taxes

Enter the amount of state and local income taxes deducted on your federal income tax return. If a portion of your itemized deductions claimed on your federal return was disallowed because your federal adjusted gross income

### Worksheet for Schedule 2, line 3

- |  |   |             |
|--|---|-------------|
| A. Amount of state and local income taxes from Schedule A (Form 1040), line 5 .....            | A | _____       |
| B. Amount from line 3 of Federal Itemized Deductions Worksheet in Form 1040 instructions ..... | B | _____       |
| C. Divide line A by line B .....   | C | ____ . ____ |
| D. Amount from line 9 of Federal Itemized Deductions Worksheet in Form 1040 instructions ..... | D | _____       |
| E. Multiply line D by line C .....   | E | _____       |
| F. Subtract line E from line A. Enter this amount on line 3 of Schedule 2 .....                | F | _____       |

exceeded \$156,400 (\$78,200, if married filing separately), complete the worksheet on page 7.

#### Line 4 - Other additions

The following items must be included on this line:

- Taxable portion of a lump-sum distribution from a qualified retirement plan reported on Federal Form 4972. Enter on this line the amount from Form 4972, line 6 plus line 10.
- Loss from a passthrough entity subject to North Dakota's financial institution tax. For more information, obtain the *Income Tax Guideline: Adjustment For Income (Loss) From A Passthrough Entity Subject To N.D.C.C. ch. 57-35.3.*
- Amount of charitable contribution deducted in calculating federal taxable income on which the North Dakota planned gift tax credit (Schedule PG) claimed for 2007 or any previous tax year is based.

#### Line 7 - U.S. obligation interest

Enter the following on this line:

- Interest income from U.S. obligations.
- Interest income from other securities specifically exempted from state income tax by federal statute.
- The portion of dividend income from a mutual fund attributable to investment in U.S. obligations and other securities the interest from which is exempted from state income tax by federal statute.

Common sources of interest income that may be entered on this line include:

- U.S. savings bonds and Treasury bills and notes.
- Securities issued by—
  - Banks for cooperatives
  - Commodity Credit Corporation
  - Federal Deposit Insurance Corporation
  - Federal Farm Credit System
  - Federal Home Loan Banks
  - Federal Intermediate Credit Banks
  - Federal Land Banks

Federal Savings & Loan Insurance Corporations  
Student Loan Marketing Association

**Do not** enter on this line interest income from securities of the Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), nor from a federal income tax refund or repurchase agreement.

#### Line 8 - Military pay exclusion

Enter up to \$1,000 of your military pay received for active duty service in the U.S. armed forces, or for attending periodic training for drill and instruction as a member of the National Guard or a reserve unit of the U.S. armed forces. This exclusion is allowed only to the extent that your military pay is included in federal taxable income (on line 1, Schedule 2).

#### Line 9 - Additional military pay exclusion for overseas duty

If you are a member of the U.S. armed forces who served overseas for at least thirty days during the tax year, enter up to \$300 of your military pay for each month (or fraction of a month) you were overseas. You are considered to have served overseas if you were stationed outside the United States and the District of Columbia.

This exclusion is allowed only to the extent that your military pay is included in federal taxable income (on line 1, Schedule 2). The total of this exclusion and the exclusion on line 8 (military pay exclusion) may not exceed the total of your active duty military pay.

Field grade and general officers are not eligible for this exclusion. Field grade and general officers are persons with a rank of: Major or higher in the U.S. Army, Air Force, or Marines; Lieutenant commander or higher in the U.S. Navy; and Surgeon or higher in the U.S. Public Health Service.

#### Line 10 - Military retirement pay exclusion

If you received military retirement pay for service in the U.S. armed forces (including the Coast Guard) or any of its reserve components, and you are at least 50 years old, enter up to \$5,000 of your military retirement pay. This exclusion is allowed only to the extent that your military retirement pay is included in federal taxable income (on line 1, Schedule 2). If you also received social security benefits, you must reduce the amount otherwise deductible on this line by the amount of your social security benefits.

#### Line 11 - Other retirement pay exclusions

Enter up to \$5,000 of your retirement pay received from the following sources:

- Federal government pension fund
- North Dakota city firefighters relief association
- North Dakota city policemen's pension fund
- North Dakota highway patrolmen's retirement system

This exclusion is allowed only to the extent that your retirement pay is included in federal taxable income (on line 1, Schedule 2). If you also received social security benefits, you must reduce the amount otherwise deductible on this line by the amount of your social security benefits.

#### Lines 12, 13, and 14 - Beginning farmer deductions

Deductions are available for selling or leasing farmland to a qualifying beginning farmer. To determine if you qualify, obtain the *Income Tax Guideline: Beginning Farmer Income Tax Deductions*. If you qualify, you must complete a *Beginning Farmer Statement* and attach it to your return.

• **Line 12 - Interest deduction**

Enter interest income derived from a qualifying contract for deed for the sale of 80 or more acres of farmland to a qualifying beginning farmer.

• **Line 13 - Rental deduction**

Enter up to \$25,000 of net rental income derived from a qualifying contract for the lease of 20 or more acres of farmland to a qualifying beginning farmer.

• **Line 14 - Gain deduction**

Enter the taxable part of a gain from the sale of 20 or more acres of farmland to a qualifying beginning farmer.

**Line 15- Interest from financial institution**

Enter up to \$300 (\$600, if married filing joint) of interest income received from a bank, credit union or similar financial institution located in North Dakota.

**Lines 16 - Beginning entrepreneur rental deduction**

If you qualified for the beginning entrepreneur rental deduction under a lease contract entered into in a tax year beginning before January 1, 2007, and the lease term under that contract expires in a tax year beginning on or after January 1, 2007, enter up to \$25,000 of the net rental income derived from that unexpired contract during the 2007 tax year.

**Line 19 - Other subtract adjustments**

The following items may be entered on this line. **Attach a statement explaining each adjustment claimed on this line.**

- Compensation received by a National Guard or U.S. armed forces reserve member mobilized for federal active duty under Title 10, United States Code. Do not include compensation for attending annual training, basic military training, professional military education, nor for voluntary active duty for which you did not receive mobilization orders. **Attach a copy of your mobilization orders.**

**Worksheet for Schedule 2, line 22 (Form 1040 filers only)**

- A.** Amount from Form 1040, line 57 ..... **A** \_\_\_\_\_
- B.** If applicable, enter amount from Form 1040, line 51 ..... **B** \_\_\_\_\_
- C.** If applicable, enter taxes from Form 5329, lines 4 and 8..... **C** \_\_\_\_\_
- D.** If applicable, enter the following taxes included on Form 1040, line 63..... **D** \_\_\_\_\_
- Form 4970 tax
  - Section 72(m)(5) excess benefits tax
  - Recapture taxes (if Form 37 or Form ND-2 was used in credit year)
- E.** Add lines **A**, **B**, **C**, and **D** ..... **E** \_\_\_\_\_
- F.** If applicable, enter amounts from Form 1040, lines 45, 66a, and 68..... **F** \_\_\_\_\_
- G.** Subtract line **F** from line **E**. If result is zero or less, enter -0-. Enter this amount on line 22 of Schedule 2 ..... **G** \_\_\_\_\_

- Exempt income of a Native American. See **Native Americans** on page 4.
- Retirement, unemployment, or sick pay benefits received from the U.S. Railroad Retirement Board.
- \$1,750 for adopting a child under the age of 21 who qualifies as a dependent on your federal return where the adoption was finalized in 2007. If married filing separately, only one spouse may claim this deduction.
- Up to \$1,000 of the costs of adopting a child under the age of 21 who is mentally disabled, or is blind or disabled as determined under Title XVI of U.S. Social Security Act. The child must qualify as a dependent on your federal return and the adoption must have been finalized in 2007.
- \$750 for each adopted child under the age of 21 who is mentally disabled, or is blind or disabled as determined under Title XVI of U.S. Social Security Act, and qualifies as a dependent on your federal return.
- Gain recognized on the sale of property due to the exercise of eminent domain.
- Amount of net income from a sole proprietorship or a passthrough entity that is exempted under the new or expanding industry exemption (N.D.C.C. ch. 40-57.1).
- Amount of net income exempted under the renaissance zone provisions (N.D.C.C. ch. 40-63). **Attach Schedule RZ.**
- Amount of taxable gain from the sale of stock in a corporation that relocated to North Dakota—see N.D.C.C. § 57-38-01.18 for eligibility criteria.
- Amount of income from a passthrough entity subject to North Dakota's financial institution tax. For more information, obtain the *Income Tax Guideline: Adjustment For Income (Loss) From A Passthrough Entity Subject To N.D.C.C. ch. 57-35.3*.
- Up to \$10,000 of lost wages not compensated for by sick pay and unreimbursed medical expenses incurred during the tax year that are attributable to a donation of a human organ by you or your dependent, provided that you do not deduct the medical expenses on your federal income tax return.
- State and local income tax refunds reported as income on the federal return, but only if (1) Form 37 or Form ND-2 was filed for the tax year in which the taxes were deducted on the federal return and (2) the taxes were added back into income on that state return.
- **NEW!** Amount contributed during the 2007 tax year to a North Dakota College SAVE account administered by the Bank of North Dakota, up to a maximum deduction of \$5,000 (\$10,000, if married filing jointly). The deduction is allowed regardless of whether you or someone else owns the account. A rollover of funds from

another I.R.C. Section 529 college savings plan that you own into a North Dakota College SAVE plan does not qualify for the deduction.

### Line 22 - Federal income tax

Enter the amount from your federal income tax return as follows:

- If you used **Form 1040EZ**, enter the amount from line 11 less lines 8a and 9.
- If you used **Form 1040A**, enter the amount from line 35 less the alternative minimum tax (included on line 28) less lines 40a, 41 and 42.
- If you used **Federal Form 1040**, complete the worksheet on page 9 to determine the amount to enter here.

### Line 24 - Total adjustments from income

Enter the total of lines 7 through 16 plus line 19; however, do not include any of the adjustments for adopted children or the deduction for state and local income tax refunds claimed on line 19.

## Specific line instructions for Schedule 3

### Full-year nonresident or part-year resident only

If you were a full-year nonresident or a part-year resident of North Dakota for the 2007 tax year, you must complete this schedule to calculate your North Dakota taxable income for purposes of Form ND-2. This also applies if you are filing a joint return and *either* you or your spouse was a nonresident for part or all of the tax year.

#### Minnesota and Montana residents—

If you were a full-year resident of Minnesota or Montana, and all of your income is exempt from North Dakota income tax under the income tax reciprocity agreement, do not complete this schedule. See **Reciprocity** on page 4 for more information.

## How to complete Schedule 3

### Step 1

First complete Part 2 (on page 2) of Schedule 3 to calculate your North Dakota adjusted gross income. The instructions for Part 2 start on this page.

### Step 2

Complete Part 1 (on page 1) of Schedule 3 to calculate your North Dakota taxable income. The instructions for Part 1 start on page 11.

## Instructions for Schedule 3, Part 2

Complete Column A first by filling in the amounts as shown on your federal income tax return. Then complete Column B by filling in the portion of the amount shown in Column A that is derived from North Dakota sources, as explained in the instructions that follow.

**Important: The following instructions for lines 1 through 14 of the worksheet only apply to Column B.**

### Line 1, Column B

Include wages, salaries, tips, commissions, bonuses, and other compensation received for services performed in North Dakota while a nonresident, and all compensation received while a North Dakota resident.

**Minnesota resident**—Do not include compensation received for work performed in North Dakota while a Minnesota resident if you maintained a permanent home in Minnesota that you returned to at least once each month.

**Montana resident**—Do not include compensation received for work performed in North Dakota while a Montana resident.

**Interstate commerce employee**—Do not include compensation received for work performed in North Dakota while a nonresident if it was for performing regularly assigned duties in more than one state for a rail, motor, air, or water carrier as provided under federal interstate commerce law.

### Line 2, Column B

Include amounts received (or credited to your account) while a North Dakota resident. However, do not include interest from U.S. obligations. Also include your share of North Dakota-source interest and dividends which you received from a pass-through entity (e.g., a partnership) while a nonresident.

### Line 3, Column B

Include net income or loss attributable to the portion of a sole proprietorship operated in North Dakota while a nonresident, and all net income or loss from a sole proprietorship (regardless of where its operations are located) while a North Dakota resident.

**Minnesota resident**—Do not include net income or loss from a personal or professional service business operated in North Dakota while a Minnesota resident if the income is eligible for income tax reciprocity.

### Line 4, Column B

Include net gains and losses from tangible property in North Dakota received while a nonresident, and net gains and losses from all property (regardless of its location) received while a resident. Also include your share of North Dakota-source net gains and losses which you received from a pass-through entity (e.g., a partnership) while a nonresident.

### Line 5, Column B

Include amounts received while a North Dakota resident.



**Line 6, Column B**

Include net income and losses from the rental of tangible property in North Dakota received while a nonresident, and net income and losses from the rental of all property (regardless of location) received while a North Dakota resident.

Include royalties and other income from interests in oil, coal, or other mineral property in North Dakota received while a nonresident, and income from all mineral properties (regardless of location) received while a resident.

Include your share of North Dakota-source ordinary income or loss, net rental income, and other income not reported on other lines from a pass-through entity (e.g., a partnership) received while a nonresident, and all similar types of income and losses received from a pass-through entity while a resident.

Include your share of North Dakota-source income and losses from an estate or trust received while a nonresident. Do not include interest, dividends, pensions, or annuities received from an estate or trust while a nonresident.

**Line 7, Column B**

Include net income or loss attributable to the portion of a farm operated in North Dakota while a nonresident, and all net income or loss from a farm (regardless of where it is located) while a North Dakota resident.

**Line 8, Column B**

Include amounts received while a North Dakota resident, and amounts received from North Dakota sources while a nonresident. Do not include state and local income tax refunds, alimony, and social security benefits received while a nonresident.

**Part-year resident**—To determine the amount of your taxable social security benefits to include on this line, multiply the total gross social security benefits received while a resident by a percentage equal to the total taxable portion of your social security benefits divided by your total gross social security benefits.

**Line 10, Column B**

If a part-year resident, include expenses paid while a North Dakota resident. Otherwise, multiply these expenses by a ratio equal to North Dakota income divided by total income.

**Line 11, Column B**

Include moving expenses paid while a North Dakota resident or that were attributable to a move into North Dakota.

**Line 12, Column B**

Multiply amount in Column A by a ratio equal to North Dakota self-employment income divided by total self-employment income.

**Line 13, Column B**

Multiply amount in Column A by a ratio equal to North Dakota earned income divided by total earned income.

**Line 14, Column B**

Multiply the amount of a deduction for an MSA and the business expenses of reservists, performing artists, and fee-basis government officials by a ratio equal to North Dakota compensation for services (to which the deduction or expenses relate) divided by total compensation.

Include the amount of a penalty on early withdrawal only if the related interest income is included on line 2, Column B.

Multiply a clean fuel vehicle deduction and a health savings account deduction by a ratio equal to North Dakota income divided by total income.

If a part-year resident, include alimony paid while a North Dakota resident. Otherwise, multiply the total alimony paid by a percentage equal to North Dakota income divided by total income.

Include the portion of the domestic production activities deduction based on North Dakota income.

Multiply any other adjustment included in total on line 36 of Form 1040 by a ratio equal to North Dakota income to which adjustment relates divided by total income to which adjustment relates.

Include jury duty pay only if the related employer wages are included on line 1, Column B.

## Instructions for Schedule 3, Part 1

Fill in your name, social security number, and residency status at the top of the schedule. If you were a resident of another state for part or all of the tax year, enter the name of the other state in the box provided. If you were a part-year resident of North Dakota for the tax year, also enter the dates you were a resident of North Dakota.

### Worksheet for Schedule 3, Part 1, line 8 (Form 1040 filers only)

- |   |                |
|---|----------------|
| <b>A.</b> Amount from Form 1040, line 57 .....  | <b>A</b> _____ |
| <b>B.</b> If a part-year resident, enter amount from Form 1040, line 51, but only to the extent the foreign income is included on Schedule 3, Part 1, line 1B ..... | <b>B</b> _____ |
| <b>C.</b> If applicable, enter taxes from Form 5329, lines 4 and 8.....   | <b>C</b> _____ |
| <b>D.</b> If applicable, enter the following taxes included on Form 1040, line 63.....  | <b>D</b> _____ |
| • Form 4970 tax                      • Section 72(m)(5) excess benefits tax   |                |
| • Recapture taxes (if Form 37 or Form ND-2 was used in credit year)   |                |
| <b>E.</b> Add lines <b>A</b> , <b>B</b> , <b>C</b> , and <b>D</b> .....   | <b>E</b> _____ |
| <b>F.</b> If applicable, enter amounts from Form 1040, lines 45, 66a, and 68.....   | <b>F</b> _____ |
| <b>G.</b> Subtract line <b>F</b> from line <b>E</b> . If result is zero or less, enter -0-. Enter this amount on Schedule 3, Part 1, line 8 .....                   | <b>G</b> _____ |

## Lines 2 through 5 - North Dakota subtractions

You may be eligible for certain deductions and exclusions from your North Dakota adjusted gross income on line 1B. See the instructions for lines 7 through 16, and line 19, of Schedule 2 (Form ND-2) starting on page 7 of this booklet for the deductions and exclusions that may apply.

Except for the adoption deductions, human organ donation deduction, and College SAVE deduction listed in the instructions for line 19 of Schedule 2, a deduction or exclusion is not allowed unless the related income is included in the amount on line 1B. If you are eligible for any of the adoption deductions listed in the instructions for line 19 of Schedule 2, multiply the deduction amount by a ratio equal to North Dakota adjusted gross income (on line 1B) divided by federal adjusted gross income (on line 1A). (*Note: If line 1B is positive and line 1A is zero or negative, the ratio is 1.0000.*) **Attach a supporting statement.**

## Line 8 - Federal income tax

Enter your federal income tax from your federal income tax return as follows:

- If you used **Form 1040EZ**, enter the amount from line 11 less lines 8a and 9.
- If you used **Form 1040A**, enter the amount from line 35 less the alternative minimum tax (included on line 28) less lines 40a, 41 and 42.
- If you used **Form 1040**, complete the worksheet on page 11 to determine the amount to enter on this line.

## Line 12 - North Dakota additions

If you were a part-year resident of North Dakota during the tax year, enter the following if received while a resident of North Dakota:

- Interest income from state and local government obligations (other than North Dakota and its political subdivisions) that is exempt from federal income tax.

- Taxable portion of a lump-sum distribution from a qualified retirement plan from Form 4972, line 6 plus line 10.

If you claimed the planned gift tax credit for 2007 or any previous tax year, and you deducted any part of the charitable contribution on which the credit is based in calculating your 2007 federal taxable income, an addition adjustment is required. Multiply the amount of the charitable contribution on which the tax credit is based by a ratio equal to North Dakota adjusted gross income (on line 1B) divided by federal adjusted gross income (on line 1A), and enter the result on this line.

If your North Dakota adjusted gross income on line 1B includes a loss from a passthrough entity subject to North Dakota's financial institution tax, enter the loss on this line as a positive number. See instructions for line 4 of Schedule 2 for more information.

## Line 17 - State and local income taxes

If a portion of your federal itemized deductions was disallowed because your federal adjusted gross income exceeded \$156,400 (\$78,200, if married filing separately), complete the worksheet on this page to determine the amount to enter on this line.

## Line 19 - Standard deduction

Enter your federal standard deduction from your federal income tax return as follows:

- If you used **Form 1040A**, enter amount from line 24.
- If you used **Form 1040**, enter amount from line 40.
- If you used **Form 1040EZ**, the amount to enter on this line depends on the box(es) you checked on line 5 of Form 1040EZ—
  - If you did not check either "You" or "Spouse," enter \$5,350, if single, or \$10,700, if married filing jointly.
  - If you checked "You" or "Spouse," enter the larger of: (1) \$850 or (2) the amount from Form 1040EZ, line 1, plus \$300; however, do not enter more than \$5,350, if single, or \$10,700, if married filing jointly.

## Line 21 - Exemptions

Enter your federal exemption amount from your federal income tax return as follows:

- If you used **Form 1040A**, enter amount from line 26.
- If you used **Form 1040**, enter amount from line 42.
- If you used **Form 1040EZ**, the amount to enter on this line depends on the box(es) you checked on line 5 of Form 1040EZ—
  - If you did not check either "You" or "Spouse," enter \$3,400, if single, or \$6,800, if married filing jointly.
  - If you are single and checked "You", or you are married filing jointly and checked both boxes, enter \$0.

### Worksheet for Schedule 3, Part 1, line 17

A.	Amount of state and local income taxes from Schedule A (Form 1040), line 5 .....	A	_____
B.	Amount from line 3 of Federal Itemized Deductions Worksheet in Form 1040 instructions.....	B	_____
C.	Divide line A by line B.....	C	___ . ___
D.	Amount from line 9 of Federal Itemized Deductions Worksheet in Form 1040 instructions .....	D	_____
E.	Multiply line D by line C.....	E	_____
F.	Subtract line E from line A. Enter this amount on Schedule 3, Part 1, line 17 .....	F	_____

- If you are married filing jointly and checked either “You” or “Spouse,” enter \$3,400.

## Specific line instructions for Tax Computation Schedule

To be completed by all Form ND-2 filers

**NEW for 2007!**

### Line 3 - Commercial property tax credit

As part of the property tax relief provided by the 2007 North Dakota Legislature in Senate Bill 2032, you are allowed an income tax credit if either (or both) of the following apply:

- You owned commercial property located in North Dakota for which you paid the **2006 real estate tax** or the **2007 mobile home tax**.
- You were an owner of a passthrough entity, such as a partnership or S corporation, that owned commercial property located in North Dakota for which the entity paid the **2006 real estate tax** or the **2007 mobile home tax**.

See **Schedule PT** (included in this booklet) for details. Enter the credits from Schedule PT, Section 2, line 9, on Form ND-2, Tax Computation Schedule, line 3. **Attach Schedule PT.**

### Line 4 - Other tax credits

Following is a list of other income tax credits allowed on Form ND-2. Include on this line your share of any of these credits reported on a 2007 North

Dakota Schedule K-1. Also include the allowable portion of an unused credit carried over to 2007 from a prior tax year, if applicable.

- If you were a full-year resident or part-year resident of North Dakota, and you paid income tax to another state on income also taxed by North Dakota, you may be eligible for an income tax credit. Obtain Schedule 4 for details. **Attach Schedule 4.**

- A tax credit is allowed for making a charitable contribution to a qualifying nonprofit private high school or college in North Dakota. The contribution must be made directly to, or must be specially designated for the exclusive use of, a qualifying school. A contribution to a fund that benefits both qualifying and nonqualifying schools is not eligible for the credit. A contribution may be made up to the due date or extended due date of your 2007 return. See the box on page 14 for a list of the qualifying schools in each category of institution. The credit allowed for *each* category is equal to the lesser of (1) 50% of the contributions made to all schools in the category, (2) 40% of the tax on line 2 of the Tax Computation Schedule, or (3) \$250. Enter the credit on the applicable line.
- A tax credit is allowed for the payment of premiums on a long-term care insurance policy covering yourself, your spouse, child, parent, or stepparent. The credit is equal to the lesser of (1) 25% of the premiums paid during the year or (2) \$100 multiplied by the number of qualifying persons covered by the policy.

- A tax credit is allowed for installing a qualifying biomass, geothermal, solar, or wind energy device on property you own or lease in North Dakota. For details, see N.D.C.C. § 57-38-01.8.
- A tax credit is allowed for paying wages to a developmentally disabled or chronically mentally ill employee. The credit is equal to 5% of the first \$6,000 of wages paid during the first 12 months of employment. The credit must be calculated on the wages paid during the tax year. The amount of the credit allowed in any tax year is limited to 50% of the tax on line 2.
- Changed for 2007!** A tax credit is allowed for paying qualifying expenses for the care of a disabled or elderly family member. Obtain **Schedule FC** for details including the changes made by the 2007 Legislature. **Attach Schedule FC.**
- If you qualified for a tax credit under the ND Renaissance Zone Act, enter the amount from Schedule RZ, Part 6, line 6. **Attach Schedule RZ.**
- A tax credit is allowed for making a qualifying investment in a business certified as an agricultural commodity processing facility under N.D.C.C. ch. 57-38-6. The credit is equal to 30% of the investment. No more than \$50,000 of the total credit may be used in any tax year. Also, no more than \$250,000 of tax credits are allowed to an investor for investments made in all tax years. An unused credit may be carried forward up to 10 years.
- A tax credit is allowed for making a qualifying investment in a business certified for purposes of the seed capital investment tax credit program under N.D.C.C. ch. 57-38.5. The credit is equal to 45% of the investment. No more than \$112,500 of the total credit may be used in any tax year. An unused credit may be carried forward up to 4 years.
- A tax credit is allowed for buying membership in, paying dues to, or contributing to a certified nonprofit development corporation under N.D.C.C. § 10-33-124. The credit is

## 2007 Form ND-2 Tax Rate Schedule

If North Dakota taxable income is:

The tax is equal to:

Over	But not over						
\$ 0	\$ 3,000					2.67%	of the amount on line 1
3,000	5,000	\$ 80.10	+	4.00%	of the amount over	\$ 3,000	
5,000	8,000	160.10	+	5.33%	of the amount over	5,000	
8,000	15,000	320.00	+	6.67%	of the amount over	8,000	
15,000	25,000	786.90	+	8.00%	of the amount over	15,000	
25,000	35,000	1,586.90	+	9.33%	of the amount over	25,000	
35,000	50,000	2,519.90	+	10.67%	of the amount over	35,000	
50,000		4,120.40	+	12.00%	of the amount over	50,000	



equal to the lesser of (1) 25% of the amount paid or (2) \$2,000. An unused credit may be carried forward up to 7 years.

- A tax credit is allowed to a licensed supplier (wholesaler) of biodiesel fuel for blending biodiesel fuel with a minimum 5% blend ("B5") that meets ASTM specifications. The credit is equal to 5 cents per gallon blended. An unused credit may be carried forward up to 5 years.
- A tax credit is allowed to a licensed seller (retailer) of biodiesel fuel. The credit is equal to 10% of the costs to adapt or add equipment to the seller's facility to enable it to sell biodiesel with a minimum 2% blend ("B2") that meets ASTM specifications. Except for costs incurred before January 1, 2005, eligible costs incurred before the tax year in which sales of the eligible biodiesel fuel begin may be included. The credit is allowed in each of 5 tax years, starting with the tax year in which sales of the eligible fuel begin. The unused portion of the credit in each of the initial 5 tax years may be carried forward up to 5 years. A seller is allowed no more than \$50,000 of credits in all tax years.
- A tax credit is allowed for making a charitable contribution to a qualified nonprofit organization in North Dakota under a qualifying planned gift arrangement. Obtain **Schedule PG** for details. **Attach Schedule PG.**
- **New for 2007!** A tax credit is allowed to an employer for hiring an eligible college student under a qualifying internship program in North Dakota. For details, see N.D.C.C. § 57-38-01.24.
- **New for 2007!** A tax credit is allowed to an eligible small business certified as a microbusiness by the North Dakota Commerce Department. For details, see N.D.C.C. § 57-38-01.27.
- **New for 2007!** A tax credit is allowed for certain expenses of conducting qualifying research in North Dakota. For details, see N.D.C.C. § 57-38-30.5.

- **New for 2007!** A tax credit is allowed for making a qualifying investment in an angel fund incorporated in North Dakota. The credit is equal to the lesser of (1) 45% of the investment or (2) \$45,000. An unused credit may be carried forward up to 4 years. If this credit is claimed, the taxpayer is not allowed to claim a seed capital investment tax credit passed through to the taxpayer by the angel fund. For more information, see N.D.C.C. § 57-38-01.26.
- **New for 2007!** Enter on this line your share of the North Dakota endowment fund tax credit reported on a 2007 North Dakota Schedule K-1.

### Line 8 - *Withholding*

If you received a Form W-2, Form 1099, or North Dakota Schedule K-1 showing North Dakota income tax withholding for the 2007 tax year, enter the total of the North Dakota income tax withheld on this line. Be sure the state identified on the applicable form is North Dakota. **Attach a copy of the Form W-2, Form 1099, or North Dakota Schedule K-1.**

### Line 12 - *Application of overpayment to 2008*

If you have an overpayment on line 11, you may elect to apply part or all of it as an estimated payment toward your 2008 income tax liability. If you make this election, you may not change the election or the amount you applied after you file your return.

### Lines 13 and 14 - *Voluntary contributions*

If you have an overpayment on line 11, you may make a voluntary contribution of part or all of your overpayment to the Watchable Wildlife Fund or the Trees For North Dakota Program Trust Fund (or both) by entering on the applicable line the amount you wish to contribute. If contributing, you must contribute at least \$1.00. A contribution will reduce your refund.

### Lines 18 and 19 - *Voluntary contributions*

If you have a tax due on line 16, you may make a voluntary contribution to the Watchable Wildlife Fund or the Trees For North Dakota Program Trust Fund (or both) by entering on the applicable line the amount you wish to contribute. If contributing, you must contribute at least \$1.00. A contribution will increase your balance due.

### Qualifying nonprofit private high schools and colleges

(for charitable contribution tax credit - Tax Computation Schedule, Line 4)

#### High school category—

- |   |   |
|---|---|
| • Anne Carlsen School (Jamestown)                   | • Our Redeemer's Christian School (Minot)     |
| • Bishop Ryan High School (Minot)                   | • Prairie Learning Education Center (Raleigh) |
| • Dakota Memorial High School (Minot)               | • St. Mary's Central High School (Bismarck)   |
| • Dickinson Trinity High School (Dickinson)         | • Shanley High School (Fargo)                 |
| • Johnson Corners Christian Academy (Watford City)  | • Shiloh Christian School (Bismarck)          |
| • New Testament Baptist Christian School (Larimore) | • Trinity Christian School (Williston)        |
| • Oak Grove Lutheran High School (Fargo)            |   |

#### College category—

- |   |  |
|---|--|
| • Jamestown College (Jamestown)         | • United Tribes Technical College (Bismarck) |
| • North Dakota Independent College Fund | • University of Mary (Bismarck)              |
| • Trinity Bible College (Ellendale)     |  |



**Line 20 - Balance due**

The balance due (including the amount, if any, from line 21) must be paid in full with your return. Make your check or money order payable to "ND State Tax Commissioner." A late payment is subject to penalty and interest charges—see **Penalty and interest** on page 5.

**Pay by credit card.** You may pay your balance due by credit card. To do so, go to Link2Gov Corporation's web site at **www.ndtaxpayment.com** or call them toll-free at 1-888-ND-TAXES (1-888-638-2937). A convenience fee will be charged to your credit card by Link2Gov Corporation for its services. The State of North Dakota does not receive any part of this fee. You will be told what the fee is during the transaction and you will have the option to continue or cancel the transaction.

**Line 21 - Interest on underpaid estimated tax**

If you were required to pay estimated North Dakota income tax for 2007, but you did not pay enough or you paid it late, interest is charged on the underpayment or late payment. To determine if you owe interest, obtain and complete the **2007 Form 400-UT**.

**Sign your return**

Sign and date your return. If you are filing a joint return, both spouses must sign. An unsigned return is not a valid return and will be sent back to you. This may result in penalty and interest charges if you refile it after the due date.

**Disclosure authorization.** You may authorize the Office of State Tax Commissioner (Tax Department) to directly contact your tax return preparer to discuss your 2007 return by checking the box to the right of the signature area on the return. This allows the Tax Department to ask questions and request missing information needed to process your return. It also allows your preparer to respond to the questions and provide the requested information, to check on the status of your return's processing (including a related refund or payment), and to respond to notices that you share with your preparer about math errors and return preparation. (*Note: The Tax Department will only send notices directly to you.*)

This authorization only applies to the individual whose printed name and signature appear in the preparer's signature area (and not to any firm). The authorization only applies to the return on which it is made, and it automatically expires on the due date (excluding extensions) for filing the 2008 return. The authorization does not allow your preparer to receive your refund check, to bind you in any way (including any additional tax liability), or to otherwise represent you before the Tax Department.

**Tips for trouble-free filing**

A complete and accurate return ensures the fastest processing of your return as well as a fast refund. Errors or omissions in the return mean delayed processing and possibly having to contact you.

**Important:** A return missing a signature or a copy of the federal return is not a properly filed return, and it will be sent back to you. This could result in late filing and payment charges if you resubmit the return after the due date.

**Before you file, check the following—**

- ☐ **Write legibly**  
Our inability to read your information may result in errors.
- ☐ **Enter your correct social security number**  
If married, include your spouse's social security number.
- ☐ **Check your math**  
This is a common problem.
- ☐ **Include all W-2s, 1099s, and ND Schedule K-1s**  
These are required to verify your withholding.
- ☐ **Use the right address**  
Amazingly, thousands of North Dakota returns are mailed to the Internal Revenue Service by mistake each year. Use the preprinted envelope.
- ☐ **Use the right postage**  
Insufficient postage means the U.S. Postal Service will send your return back to you.
- ☐ **Sign the return**  
An unsigned return means you will get your return back from our office. It is not complete without your signature(s).
- ☐ **Include a copy of your federal return**  
It's required by law and is part of a complete return. If missing, we will send your return back to you.

## Instructions for Schedule PT

### Property tax relief credits

#### Purpose of schedule

Use the 2007 Schedule PT to calculate your property tax relief income tax credits that are available for the 2007 tax year.

The credit for residential and agricultural property is calculated in Section 1 of Schedule PT.

The credit for commercial property is calculated in Section 2 of Schedule PT.

## General instructions

#### Eligible property taxes

Both of the credits allowed for the 2007 income tax year are calculated on the **2006 real estate tax** or **2007 mobile home tax**. For property you directly own, you must have your 2006 real estate tax statement or your 2007 mobile home tax statement available to complete Schedule PT. If you claim the commercial property tax credit in Section 2 based on an interest in a passthrough entity, you have to obtain certain information from the entity—see Section 2, line 3a. To be eligible for the credits, the property taxes must be fully paid.

#### Contract for deed

If you hold an interest in property that is subject to a contract for deed, and you pay the eligible property taxes on the property, you may claim the property taxes for purposes of Schedule PT.

#### Single-member LLC or grantor trust

If you are the sole owner of a limited liability company (LLC) that is a disregarded entity for federal income tax purposes, or if you are the owner of a grantor trust, property held in the name of the LLC or grantor trust is considered to be held directly by you for purposes of Schedule PT.

#### Confidentiality waiver

Your completion and attachment of Schedule PT to your return constitutes your consent that the Office of State Tax Commissioner may divulge to a co-owner information from your Schedule PT pertaining to a jointly owned parcel of property for purposes of administering the tax credit.

## Section 1

### Residential and agricultural property income tax credit

#### Eligibility requirements

You qualify for the residential and agricultural property income tax if you meet all of the following requirements:

- You maintained a primary residence in North Dakota for the entire 2006 calendar year or you established a primary residence in North Dakota during the 2006 calendar year that you maintained until the end of that year.
- You owned residential or agricultural property located in North Dakota for which you were liable for the **2006 real estate tax** or the **2007 mobile home tax**.
- You paid the **2006 real estate tax** or the **2007 mobile home tax**. In the case of jointly owned property, this applies if any of the co-owners fully paid the tax.

**Primary residence.** A primary residence generally means a dwelling that you own or rent that, except for temporary absences, is the place where you reside most of the time during the year. Also, except for certain nonresident military members stationed in North Dakota—see below—it usually constitutes your legal residence for state income tax purposes.

**U.S. armed forces members.** You meet the North Dakota primary residence requirement if:

- You were a **resident** of North Dakota serving in the U.S. armed forces who was stationed outside North Dakota during the 2006 calendar year; *or*
- You were a **nonresident** of North Dakota serving in the U.S. armed forces who was stationed in North Dakota during the 2006 calendar year, and you lived in a home or apartment in North Dakota that was your primary residence while stationed in North Dakota.

### Specific line instructions for Section 1

#### Line 1

Enter on this line the street address of your primary residence in North Dakota during the 2006 calendar year. **Do not enter a post office box number.**

#### Resident U.S. armed forces members.

If you were a resident of North Dakota serving in the U.S. armed forces and you were stationed outside North Dakota during the 2006 calendar year, do one of the following:

- If you did not maintain a home or apartment in North Dakota during your absence, check the box on line 1 and leave the boxes for the street address and city blank. Also skip line 2; *or*
- If you maintained a home or apartment in North Dakota during your absence, fill in the boxes for the street address and city.  
**Do not check the box in this case.**

#### Line 3a

Enter the information for each parcel of eligible property. If you owned more than one parcel of eligible property, you may stop entering parcels when 10% of your total share of property taxes (in column E) equals or exceeds the maximum tax credit you are allowed—see line 6. If you need to enter more than 4 parcels, obtain Schedule PTC and complete **Continuation Schedule 1**.

You may enter a parcel only if all of the following apply:

- The property is classified as residential or agricultural for property taxes.
- The property is located in North Dakota.
- You owned the property on the due date of the **2006 real estate tax** or the **2007 mobile home tax**. The 2006 real estate tax became due on January 1, 2007. The 2007 mobile home tax became due on January 10, 2007; however, if you purchased the mobile home or moved it into North Dakota during the 2007 calendar year, the mobile home tax became due on the 10th day after its purchase or move.
- You paid the **2006 real estate tax** or **2007 mobile home tax** due on the property. In the case of jointly owned property, this applies if any of the co-owners fully paid the tax.

**Column A.** Enter the property (or parcel) number from your 2006 real estate tax statement or 2007 mobile home tax statement.

**Column B.** Using the County Number Table on page 17, enter the number for the county in which the parcel is located.

**Column C.** Enter the **consolidated tax** from your 2006 real estate tax statement or 2007 mobile home tax statement. This is the total amount of the property taxes before any special assessments are added and before

any discount is subtracted. Enter the total consolidated tax even though you may jointly own the property with one or more other persons.

**Column D.** If you own 100% of the parcel, enter 100%. If you own less than 100% of the parcel, enter your ownership share as a percentage. For example, if you own one-half of the parcel, enter 50%. If only you and your spouse own the parcel, and you are filing a joint return, enter 100%.

**Column E.** If you own 100% of the parcel, enter the amount from Column C in Column E. If you own less than 100% of the parcel, multiply the amount in Column C by the percentage in Column D.

## Section 2

### Commercial property income tax credit

#### Eligibility requirements

You qualify for the commercial property income tax credit if you meet one or both of the following requirements:

- You owned commercial property located in North Dakota for which you were liable for the **2006 real estate tax** or the **2007 mobile home tax**. See line 1a.
- You owned an interest in a partnership, S corporation, or limited liability company (treated like a passthrough entity) that owned commercial property located in North Dakota for which the entity was liable for the **2006 real estate tax** or the **2007 mobile home tax**. See line 3a.

### Specific line instructions for Section 2

#### Line 1a

Enter the information for each parcel of eligible property. If you owned more than one parcel of eligible property, you may stop entering parcels when 10% of your total share of property taxes (in column E) equals or exceeds the maximum tax credit you are

allowed—see line 7. If you need to enter more than 3 parcels, obtain Schedule PTC and complete **Continuation Schedule 2**.

You may enter a parcel only if all of the following apply:

- The property is classified as commercial for property taxes.
- The property is located in North Dakota.
- You owned the property on the due date of the **2006 real estate tax** or the **2007 mobile home tax**. The 2006 real estate tax became due on January 1, 2007. The 2007 mobile home tax became due on January 10, 2007; however, if you purchased the mobile home or moved it into North Dakota during the 2007 calendar year, the mobile home tax became due on the 10th day after its purchase or move.
- You paid the **2006 real estate tax** or **2007 mobile home tax** due on the property. In the case of jointly owned property, this applies of any of the co-owners fully paid the tax.

**Column A.** Enter the property (or parcel) number from your 2006 real estate tax statement or 2007 mobile home tax statement.

**Column B.** Using the County Number Table on this page, enter the number for the county in which the parcel is located.

**Column C.** Enter the **consolidated tax** from your 2006 real estate tax statement or 2007 mobile home tax statement. This is the total amount of the property taxes before any special assessments are added and before any discount is subtracted. Enter the total consolidated tax even though you may jointly own the property with one or more other taxpayers.

**Column D.** If you own 100% of the parcel, enter 100%. If you own less than 100% of the parcel, enter your ownership share as a percentage. For example, if you own one-half of the parcel, enter 50%. If only you and your spouse own the parcel, and you are filing a joint return, enter 100%.

**Column E.** If you own 100% of the parcel, enter the amount from Column C in Column E. If you own less than 100% of the parcel, multiply the amount in Column C by the percentage in Column D.

#### Line 3a

Enter the information for each eligible partnership, S corporation, or limited liability company (treated like a passthrough entity). If you owned an interest in more than one entity, you may stop entering entities when 10% of your total share of the property taxes (in column E) equals or exceeds the maximum tax credit you are allowed—see line 7. If you need to enter more than 3 entities, obtain Schedule PTC and complete **Continuation Schedule 3**.

You may enter an entity only if all of the following apply:

- The entity owned property classified as commercial for property taxes.
- The commercial property is located in North Dakota.
- The entity paid the **2006 real estate tax** or **2007 mobile home tax** due on the commercial property.
- You owned an interest in the entity on the date the real estate tax or the mobile home tax became due. See the instructions to line 1a for the due dates.

**Column C.** Enter the eligible property taxes paid by the the entity on all of its North Dakota commercial properties. This is the **consolidated tax** from the entity's 2006 real estate tax statement(s) or 2007 mobile home tax statement(s). Do not include special assessments and do not subtract any discount.

**Column D.** Enter your distributive share percentage in the entity as of the date the eligible property taxes became due. See the instructions to line 1a for when the eligible property taxes became due. Enter your distributive share as a percentage. For example, if you own one-half of the entity, enter 50%.

#### Line 9

Enter the amount of the commercial property tax credit shown on line 8 that you are using to reduce your tax for 2007.

#### County Number Table

Adams.....001	Cavalier.....019	Grant.....037	McLean.....055	Ransom.....073	Steele.....091
Barnes.....003	Dickey.....021	Griggs.....039	Mercer.....057	Renville.....075	Stutsman.....093
Benson.....005	Divide.....023	Hettinger.....041	Morton.....059	Richland.....077	Towner.....095
Billings.....007	Dunn.....025	Kidder.....043	Mountrail.....061	Rolette.....079	Traill.....097
Bottineau.....009	Eddy.....027	LaMoure.....045	Nelson.....063	Sargent.....081	Walsh.....099
Bowman.....011	Emmons.....029	Logan.....047	Oliver.....065	Sheridan.....083	Ward.....101
Burke.....013	Foster.....031	McHenry.....049	Pembina.....067	Sioux.....085	Wells.....103
Burleigh.....015	Golden Valley.....033	McIntosh.....051	Pierce.....069	Slope.....087	Williams.....105
Cass.....017	Grand Forks.....035	McKenzie.....053	Ramsey.....071	Stark.....089	



## School district codes

If you were a resident of North Dakota for part or all of the tax year, enter the code number for the school district in which you resided in the boxes on Form ND-2. If you are married and filing a joint return, and only one spouse was a resident of North Dakota for part or all of the tax year, enter the code number for the school district in which that spouse resided.

If you were a nonresident of North Dakota for the entire tax year, enter 54-000 in the boxes on Form ND-2. This also applies if you are married and filing a joint return and both spouses were nonresidents of North Dakota for the entire tax year.

School District Address				School District Address				School District Address			
School District		School District		School District		School District		School District		School District	
Address		Address		Address		Address		Address		Address	
Code No.		Code No.		Code No.		Code No.		Code No.		Code No.	
Adams	ND	Adams 128	50-128	Grenora	ND	Grenora 99	53-099	New Salem	ND	New Salem 7	30-007
Alexander	ND	Alexander 2	27-002	Gwinner	ND	N Sargent 3	41-003	New Town	ND	New Town 1	31-001
Almont	ND	Sims 8	30-008	Hague	ND	Bakker 10	15-010	Newburg	ND	Newburg-United 54	05-054
Amidon	ND	Central Elem. 32	44-032	Halliday	ND	Halliday 19	13-019	Northwood	ND	Northwood 129	18-129
Anamoose	ND	Anamoose 14	25-014			Twin Buttes 37	13-037	Oakes	ND	Oakes 41	11-041
Ashley	ND	Ashley 9	26-009	Hankinson	ND	Hankinson 8	39-008	Oberon	ND	Oberon 16	03-016
Baldwin	ND	Baldwin 29	08-029	Harvey	ND	Harvey 38	52-038	Page	ND	Page 80	09-080
Beach	ND	Beach 3	17-003	Hatton	ND	Hatton 7	49-007	Park River	ND	Park River 78	50-078
Belcourt	ND	Belcourt 7	40-007	Hazelton	ND	Haz-Mof-Brad 6	15-006	Parshall	ND	Parshall 3	31-003
Belfield	ND	Belfield 13	45-013	Hazen	ND	Hazen 3	29-003	Pembina	ND	North Border 100	34-100
Berthold	ND	Lewis and Clark 161	51-161	Hebron	ND	Hebron 13	30-013	Petersburg	ND	Dakota Prairie 1	32-001
Beulah	ND	Beulah 27	29-027	Hettinger	ND	Hettinger 13	01-013	Pettibone	ND	Pettibone-Tuttle 11	22-011
Binford	ND	Midkota 7	20-007	Hillsboro	ND	Hillsboro 9	49-009	Pingree	ND	Pingree-Buchanan 10	47-010
Bisbee	ND	Bisbee-Egeland 2	48-002	Hoople	ND	Valley 12	34-012	Powers Lake	ND	Powers Lake 27	07-027
Bismarck	ND	Bismarck 1	08-001	Hope	ND	Hope 10	46-010	Ray	ND	Nesson 2	53-002
		Naughton 25	08-025	Hunter	ND	Northern Cass 97	09-097	Richardton	ND	Richardton-Taylor 34	45-034
		Apple Creek 39	08-039	Hurdsfield	ND	Pleasant Valley 35	52-035	Robinson	ND	Robinson 14	22-014
		Manning 45	08-045	Inkster	ND	Midway 128	18-128	Rock Lake	ND	N Central 28	48-028
Bottineau	ND	Bottineau 1	05-001	Jamestown	ND	Jamestown 1	47-001	Rogers	ND	Barnes Co. North 7	02-007
Bowbells	ND	Bowbells 14	07-014	Kenmare	ND	Kenmare 28	51-028	Rolette	ND	Rolette 29	40-029
Bowman	ND	Bowman Co 1	06-001	Kensal	ND	Kensal 19	47-019	Rolla	ND	Mt. Pleasant 4	40-004
Buxton	ND	Central Valley 3	49-003	Killdeer	ND	Killdeer 16	13-016	Roseglen	ND	White Shield 85	28-085
Cando	ND	Southern 8	48-008	Kindred	ND	Kindred 2	09-002	Rugby	ND	Rugby 5	35-005
Carrington	ND	Carrington 49	16-049	Kulm	ND	Kulm 7	23-007	Sawyer	ND	Sawyer 16	51-016
Carson	ND	Roosevelt 18	19-018	Lakota	ND	Lakota 66	32-066	Scranton	ND	Scranton 33	06-033
Cartwright	ND	Horse Creek 32	27-032	LaMoure	ND	LaMoure 8	23-008	Selfridge	ND	Selfridge 8	43-008
Casselton	ND	Central Cass 17	09-017	Langdon	ND	Langdon Area 23	10-023	Sidney	MT	Earl 18	27-018
Cavalier	ND	Cavalier 6	34-006	Larimore	ND	Larimore 44	18-044			Bowline Butte 19	27-019
Center	ND	Center-Stanton 1	33-001	Leeds	ND	Leeds 6	03-006	Solen	ND	Solen 3	43-003
Colfax	ND	Richland 44	39-044	Lidgerwood	ND	Lidgerwood 28	39-028	South Heart	ND	South Heart 9	45-009
Cooperstown	ND	Griggs County		Lignite	ND	Burke Central 36	07-036	St. Anthony	ND	Little Heart 4	30-004
		Central 18	20-018	Linton	ND	Linton 36	15-036	St. John	ND	St. John 3	40-003
Crosby	ND	Divide County 1	12-001	Lisbon	ND	Lisbon 19	37-019	St. Thomas	ND	St. Thomas 43	34-043
Des Lacs	ND	United 7	51-007			Ft. Ransom 6	37-006	Stanley	ND	Stanley 2	31-002
Devils Lake	ND	Devils Lake 1	36-001	Maddock	ND	Maddock 9	03-009	Starkweather	ND	Starkweather 44	36-044
Dickinson	ND	Dickinson 1	45-001	Mandan	ND	Mandan 1	30-001	Steele	ND	Steele-Dawson 26	22-026
Drake	ND	Drake 57	25-057			Sweet Briar 17	30-017	Sterling	ND	Sterling 35	08-035
Drayton	ND	Drayton 19	34-019	Mandaree	ND	Mandaree 36	27-036	Strasburg	ND	Strasburg 15	15-015
Dunseith	ND	Dunseith 1	40-001	Manvel	ND	Manvel 125	18-125	Surrey	ND	Surrey 41	51-041
Edgeley	ND	Edgeley 3	23-003	Mapleton	ND	Mapleton 7	09-007	Tappen	ND	Tappen 28	22-028
Edinburg	ND	Edinburg 106	50-106	Marion	ND	Litchville-Marion 46	02-046	Thompson	ND	Thompson 61	18-061
Edmore	ND	Edmore 2	36-002	Marmarth	ND	Marmarth 12	44-012	Tioga	ND	Tioga 15	53-015
Elgin	ND	Elgin-New Leipzig 49	19-049	Max	ND	Max 50	28-050	Tower City	ND	Maple Valley 4	09-004
Ellendale	ND	Ellendale 40	11-040	Mayville	ND	May-Port CG 14	49-014	Towner	ND	TGU 60	25-060
Emerado	ND	Emerado 127	18-127	McClusky	ND	McClusky 19	42-019	Trenton	ND	Eight Mile 6	53-006
Enderlin	ND	Enderlin Area 24	37-024	Medina	ND	Medina 3	47-003	Turtle Lake	ND	Turtle Lake-	
Fairmount	ND	Fairmount 18	39-018	Medora	ND	Billings Co. 1	04-001			Mercer 72	28-072
Fairview	MT	Yellowstone 14	27-014	Menoken	ND	Menoken 33	08-033	Tuttle	ND	Tuttle-Pettibone 20	22-020
Fargo	ND	Fargo 1	09-001	Milnor	ND	Milnor 2	41-002	Underwood	ND	Underwood 8	28-008
Fessenden	ND	Fessenden-Bowdon 25	52-025	Minnewaukan	ND	Minnewaukan 5	03-005	Valley City	ND	Valley City 2	02-002
Finley	ND	Finley-Sharon 19	46-019	Minot	ND	Minot 1	51-001	Velva	ND	Velva 1	25-001
Flasher	ND	Flasher 39	30-039			Nedrose 4	51-004	Wahpeton	ND	Wahpeton 37	39-037
Fordville	ND	Fordville-Lankin 5	50-005			Bell 10	51-010	Warwick	ND	Warwick 29	03-029
Forman	ND	Sargent Central 6	41-006			Eureka 19	51-019	Washburn	ND	Washburn 4	28-004
Ft. Totten	ND	Ft. Totten 30	03-030			S Prairie 70	51-070	Watford City	ND	McKenzie Co 1	27-001
Ft. Yates	ND	Ft. Yates 4	43-004			Air Force Base 160	51-160	West Fargo	ND	West Fargo 6	09-006
Gackle	ND	Gackle-Streeter 56	24-056	Minto	ND	Minto 20	50-020	Westhope	ND	Westhope 17	05-017
Garrison	ND	Garrison 51	28-051	Mohall	ND	Mohall-Lansford		Williston	ND	Williston 1	53-001
Glen Ullin	ND	Glen Ullin 48	30-048			-Sherwood 1	38-001			New 8	53-008
Glenburn	ND	Glenburn 26	38-026	Montpelier	ND	Montpelier 14	47-014	Wilton	ND	Montefiore 1	28-001
Golva	ND	Lone Tree 6	17-006	Mott	ND	Mott-Regent 1	21-001	Wing	ND	Wing 28	08-028
Goodrich	ND	Goodrich 16	42-016	Munich	ND	Munich 19	10-019	Wishek	ND	Wishek 19	26-019
Grafton	ND	Grafton 3	50-003	Napoleon	ND	Napoleon 2	24-002	Wolford	ND	Wolford 1	35-001
		Nash 51	50-051	New England	ND	New England 9	21-009	Wyndmere	ND	Wyndmere 42	39-042
Grand Forks	ND	Grand Forks 1	18-001	New Rockford	ND	New Rockford		Zeeland	ND	Zeeland 4	26-004
		Air Force Base 140	18-140			-Sheyenne 2	14-002				





## NORTH DAKOTA FOREST SERVICE

### The *Trees for North Dakota* Income Tax Check-Off

# Planting trees to improve North Dakota's health, safety and economy.

**Trees:** More than half of North Dakota's residents live in cities and towns. Parks, green spaces and trees affect our everyday moods, activities and emotional health. Trees add beauty and character to our surroundings, screen unsightly views, absorb noise, offer relief from everyday stress, provide restorative experiences, and enhance health recovery, work attitudes and well-being. Families and young people are the foundation and future of North Dakota. Trees need supportive environments that encourage positive behavior. Research indicates that trees reduce domestic conflict, school aggression and violence.



**Forests:** Native and planted forests in rural areas beautify the landscape, reduce soil erosion by both wind and water, improve air quality, produce oxygen, and provide food and cover for wildlife. Forests are vital along rivers and streams to improve water quality, lessen sediment buildup in streams, reduce runoff, trap pollutants, and increase ground-water recharge. The recreational benefits forests provide allow a diversion from work and connect us to nature.



Trees and forests help the economy by reducing air conditioning and heating costs, reducing national dependence on oil and natural gas. Trees increase property values—residential, commercial and industrial, as well as attract businesses and tourists. Forests supply valuable products, such as lumber, paper, nuts and fruit. They offer attractive sites to socialize and places for children to play. Trees serve as living proof that we can make a positive change in our environment.

## Your donation will help plant “*trees for tomorrow!*”

Your contributions are returned to communities and rural landowners through tree planting grants. To contribute to the “Trees for North Dakota” Trust Fund, consult your tax preparer or enter a voluntary contribution on the 2007 North Dakota Individual Income Tax Return on:

**Form ND-1: Overpayment (Line 32)/Tax due (Line 37)**

**Form ND-2: Overpayment (Line 14)/Tax due (Line 19)**

**Larry A. Kotchman, State Forester, NORTH DAKOTA FOREST SERVICE  
307 First Street East, Bottineau ND 58318-1100**

**Tel: (701) 228-5422**

**[www.nd.gov/forest](http://www.nd.gov/forest)**

**[forest@nd.gov](mailto:forest@nd.gov)**



# HELP PROMOTE AND DEVELOP WATCHABLE WILDLIFE OPPORTUNITIES IN NORTH DAKOTA

*Contribute to the Watchable Wildlife Fund*

*To contribute, see information on your North Dakota Tax Form  
and check off for Watchable Wildlife*

*Your contributions have helped fund projects including:*

- *Conservation education projects to Schools and Communities*
- *Species of concern habitat projects*
- *Grants to civic organizations for wildlife projects*
- *Watchable Wildlife recruitment and education programs*

For more information contact:  
North Dakota Game and Fish Department  
100 N. Bismarck Expressway  
Bismarck, ND 58501-5095  
Web: [gf.nd.gov](http://gf.nd.gov)  
Email: [ndgf@nd.gov](mailto:ndgf@nd.gov)



# How to assemble your return

Please assemble your documents in the order shown in the list below.

1. Form ND-2.
2. Schedule 3, if required.
3. Schedule 4, if required.
4. Schedule PT, if required.
5. Schedule PTC, if required.
6. All other official North Dakota schedules and forms required to be attached.
7. Form W-2s, Form 1099s, and North Dakota Schedule K-1s showing North Dakota withholding.
8. Copy of federal tax return.
9. Supporting statements required in instructions.

Staple all attachments to the top center of Form ND-2.  
Enclose your check or money order made payable to:  
**ND State Tax Commissioner.** Do not send cash.

# Before mailing . . .

- Make sure that you entered your name, correct mailing address, and social security number on the return. If married, include your spouse's social security number.
- Double-check your math.
- Make sure you included all of your Form W-2s, Form 1099s, and North Dakota Schedule K-1s showing North Dakota income tax withheld.
- Check to see that all required schedules and supporting statements are included.
- Enclose a complete copy of your federal tax return.
- Sign your return. If filing a joint return, your spouse also must sign.
- Use adequate postage.
- Make a copy of the return for your records.



## Important:

*If you do not include a copy of your federal return or do not sign your return, your return will be sent back to you. This may result in late filing and payment charges.*

## Need help with your federal return?

If you need federal tax forms, have federal tax questions, or would like to find out where you can find IRS walk-in services, you may contact the IRS in one of the following ways.

### Telephone assistance (toll free)

- **Federal tax questions..... 1-800-829-1040**  
**TTY/TDD ..... 1-800-829-4059**

Call this number if you have a question about your federal tax return or an IRS notice, need a transcript or copy of your federal return, or have questions on other federal tax matters.

- **Ordering forms and publications ..... 1-800-829-3676**

Call this number to order federal tax forms and informational publications.

- **Recorded tax and refund information..... 1-800-829-4477**

Call this number to listen to pre-recorded information on a wide variety of federal tax topics or to check the status of your federal income tax refund. Please allow at least 6 weeks after you file your return (3 weeks if you filed electronically) before calling about the status of your refund, and be sure to have your social security number, filing status, and exact whole-dollar amount of your refund available when you call.

### Web site

Access the IRS's Web site 24 hours a day, 7 days a week..... **www.irs.gov**

### Walk-in service

In North Dakota, IRS walk-in services are available Monday through Friday, 8:30 a.m. to 4:30 p.m. (*except as noted*), at the following locations:

#### **Bismarck** (*closed 11 a.m.-12 noon*)

Kirkwood Bank & Trust Building  
2911 N 14th Street (3rd Floor)  
(*next to Space Aliens restaurant*)

#### **Fargo** (*closed 11 a.m.-12 noon*)

Federal Building  
Room 470  
657 2nd Avenue North

#### **Grand Forks** (*closed 11 a.m.-12 noon*)

Federal Building  
Room 137  
102 North 4th Street

#### **Minot** (*closed 11 a.m.-12 noon*)

305 17th Avenue SW



## Do you need any forms?

Download and print the forms you need from our web site at—  
**[www.nd.gov/tax](http://www.nd.gov/tax)**

Or use this form to order any forms you need. Check the box for the form you need. You will receive two copies of each item you order.

- ☐ **Form ND-2**, Individual income tax form (Optional method) [Includes Schedule 2]
- ☐ **Schedule 3**, Schedule for full-year nonresident or part-year resident using Form ND-2
- ☐ **Schedule 4**, Calculation of credit for income tax paid to another state
- ☐ **Schedule FC**, Family member care income tax credit
- ☐ **Schedule PG**, Planned gift tax credit
- ☐ **Schedule PT**, Property tax relief income tax credits for individuals
- ☐ **Schedule PTC**, Continuation schedules for property tax relief income tax credits
- ☐ **Schedule RZ**, Renaissance Zone Act exemptions and tax credits
- ☐ **Form 400-EXT**, Individual extension payment
- ☐ **Form 400-UT**, Calculation of interest on underpayment or late payment of estimated income tax for individuals
- ☐ **Form 101**, Extension of time to file a North Dakota tax return
- ☐ **Form ND-3**, Request for residential and agricultural property tax credit certificate
- ☐ **Form ND-1 booklet**, Individual income tax form (Main method) and instructions
- ☐ **2008 Form 400-ES**, Estimated income tax—individuals [Use for 2008 tax year estimated tax]
- ☐ **One time (use tax) remittance form** [For individuals who buy goods from out-of-state retailers and pay less sales tax than North Dakota charges]
- ☐ **Claim for refund of city or county sales and use tax transmittal form** [For individuals who paid local sales or use tax in excess of the maximum due]

### Complete and mail to:

Attn: 2007 Forms Order  
ND Office of State Tax Commissioner  
600 E. Boulevard Ave. Dept. 127  
Bismarck, ND 58505-0599

### Do not use the envelope in this booklet.

Type or print carefully. This is your mailing label.

Name

Address

City

State

ZIP code

## Need forms or assistance?

### Web site

Obtain tax forms and instructions on our web site at—  
**[www.nd.gov/tax](http://www.nd.gov/tax)**

### E-mail

Submit your questions or comments to us at—  
**[individualtax@nd.gov](mailto:individualtax@nd.gov)**

### Phone

Call us toll free (within North Dakota) at **1-800-638-2901**, Monday-Friday, 8 a.m. to 5 p.m. In the local Bismarck-Mandan area, or from outside North Dakota, call us as follows—

Questions: **(701) 328-1032**

Form requests: **(701) 328-3450**

If speech or hearing impaired, call Relay North Dakota at—  
**1-800-366-6888 (and ask for 1-800-638-2901)**

Or write to us at—

Individual Income Tax Section  
Office of State Tax Commissioner  
600 E. Boulevard Ave. Dept. 127  
Bismarck, ND 58505-0599

## Check the status of your refund

You may check the status of your refund on our web site at **[www.nd.gov/tax](http://www.nd.gov/tax)**. Find and click on the link **Where's My Refund?**.

This will take you to a secure web page where you will find instructions on how to make your inquiry. Have a copy of your return handy because you will be asked for certain information from it.

You may also send an e-mail to **[individualtax@nd.gov](mailto:individualtax@nd.gov)** or call **(701) 328-3450**. If you direct deposited your refund, first check with your bank to see if it has been deposited into your account. However you contact us, you must provide the following information:

- Your name (and spouse's name, if joint return).
- Your social security number (and spouse's social security number, if joint return).
- Tax year for which return was filed.
- Your filing status from your return.
- The **exact** amount of your refund.

A refund on an electronically filed return generally is issued within 5 business days, and a refund on a paper return can take up to 6 weeks to process.

## Request a copy of your return or other information

To obtain a copy of your return or information about your estimated tax payments, etc., you must submit a written request (by mail or fax) to our office. Your written request must contain the following:

- Your name and current address.
- Your social security number.
- Tax year.
- Description of information requested.
- Your signature.
- Daytime telephone number.